

CITY OF WHITEWOOD  
WHITEWOOD, SOUTH DAKOTA

---

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

# CITY OF WHITEWOOD

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## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Whitewood  
Whitewood, South Dakota

We have audited the accompanying financial statements of governmental activities, the business-type activities, and each major fund of the **CITY OF WHITEWOOD** (the City), Lawrence County, South Dakota, as of and for the years ended December 31, 2006 and 2005, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of December 31, 2006 and 2005, and the respective changes in financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 10, and the required supplementary budgetary information on pages 49 through 59, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Due to space limitations and to avoid cumbersome and confusing formats, the management's discussion and analysis includes information for 2005 and 2006, but omits the comparative year of 2004. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KETEL THORSTENSON, LLP  
Certified Public Accountants

January 11, 2008

## **CITY OF WHITEWOOD**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2006 AND 2005**

This section of the City of Whitewood (the City) annual financial report presents our discussion and analysis of the City's financial performance during the years ended December 31, 2006 and 2005. Please read it in conjunction with the City's financial statements, which follow this section.

#### **FINANCIAL HIGHLIGHTS**

The City's net assets from governmental and business-type activities increased by \$528,092 and \$144,348, respectively, for the years ended December 31, 2006 and 2005. This increase was primarily due to an increase in capital contributions in 2006 and to an overall increase in sales tax and proprietary fund revenues in 2005.

During the year ended December 31, 2006, the City's revenues generated from charges for services, taxes and other revenues of the governmental programs was \$308,625, before transfers, more than the \$443,943 of governmental program expenditures. During the year ended December 31, 2005, the City's revenues generated from charges for services, taxes and other revenues of the governmental programs was \$89,393, before transfers, more than the \$427,592 of governmental program expenditures.

The City's proprietary funds revenue exceeded expenses by \$210,666 after transfers for the years ended December 31, 2006. The increase in 2006 was due primarily to the capital contribution of water and sewer lines in the new subdivision.

For the years ended December 31, 2006 and 2005, the general fund reported an increase in net assets of \$62,906 and \$65,925, respectively, primarily due to an increase in property tax revenue in 2006 and an increase in sales tax revenue in 2005.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The governmental funds statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The City has two proprietary funds – the Water Fund and Sewer Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**CITY OF WHITEWOOD**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2006 AND 2005**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

	<b>Government-wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<b>Scope</b>	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as finance office, police, fire and parks	Activities the City operates similar to private businesses, the water and sewer systems
<b>Required Financial Statements</b>	Statement of Net Assets and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances	Balance Sheet; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flows
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of Asset/Liability Information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<b>Type of Inflow/Outflow Information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## **CITY OF WHITEWOOD**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2006 AND 2005**

#### **OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)**

##### Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health or position.

Increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the City you need to consider additional nonfinancial factors, such as changes in the City's property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the City are reported in two categories:

**Governmental Activities** -- This category includes most of the City's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.

**Business-type Activities** -- The City charges a fee to customers to help cover the costs of certain services it provides. The City's water and sewer systems are included here.

##### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

State law requires some of the funds. The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

**Governmental Funds** – Most of the City's basic services are included in the governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at the end of the year that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.

**Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City's proprietary funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

**CITY OF WHITEWOOD**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2006 AND 2005**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

Net Assets

The City's combined net assets increased by 18 percent between 2005 and 2006 – increasing by \$528,092. The City's combined net assets increased by 5 percent between 2004 and 2005 – increasing by \$144,348.

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. The difference between the City's assets and liabilities is its net assets.

Table A-1

Statement of Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2005	2006	2005	2006	2005	2006
Current & Other Assets	\$ 678,323	\$ 725,481	\$ 546,043	\$ 591,506	\$1,224,366	\$ 1,316,987
Capital Assets	820,923	1,047,234	1,618,753	1,801,925	2,439,676	2,849,159
<b>Total Assets</b>	<b>\$1,499,246</b>	<b>\$ 1,772,715</b>	<b>\$2,164,796</b>	<b>\$ 2,393,431</b>	<b>\$3,664,042</b>	<b>\$ 4,166,146</b>
Long-Term Debt	\$ 464,494	\$ 428,683	\$ 206,931	\$ 222,081	\$ 671,425	\$ 650,764
Other Liabilities	19,423	11,277	22,502	25,321	41,925	36,598
<b>Total Liabilities</b>	<b>\$ 483,917</b>	<b>\$ 439,960</b>	<b>\$ 229,433</b>	<b>\$ 247,402</b>	<b>\$ 713,350</b>	<b>\$ 687,362</b>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	\$ 358,903	\$ 623,304	\$1,414,706	\$ 1,581,646	\$1,773,609	\$ 2,204,950
Restricted	192,653	93,433	-	4,956	192,653	98,389
Unrestricted	463,773	616,018	520,657	559,427	984,430	1,175,445
<b>Total Net Assets</b>	<b>\$1,015,329</b>	<b>\$ 1,332,755</b>	<b>\$1,935,363</b>	<b>\$ 2,146,029</b>	<b>\$2,950,692</b>	<b>\$ 3,478,784</b>
Beginning Net Assets	\$ 908,037	\$ 1,015,329	\$1,883,571	\$ 1,935,363	\$2,791,608	\$ 2,950,692
Prior Period Adjustment	14,736	-	-	-	14,736	-
<b>Increase in Net Assets</b>	<b>92,556</b>	<b>317,426</b>	<b>51,792</b>	<b>210,666</b>	<b>144,348</b>	<b>528,092</b>
Percentage of Increase						
Net Assets	10.19%	31.26%	2.75%	10.89%	5.17%	17.90%



**CITY OF WHITEWOOD**

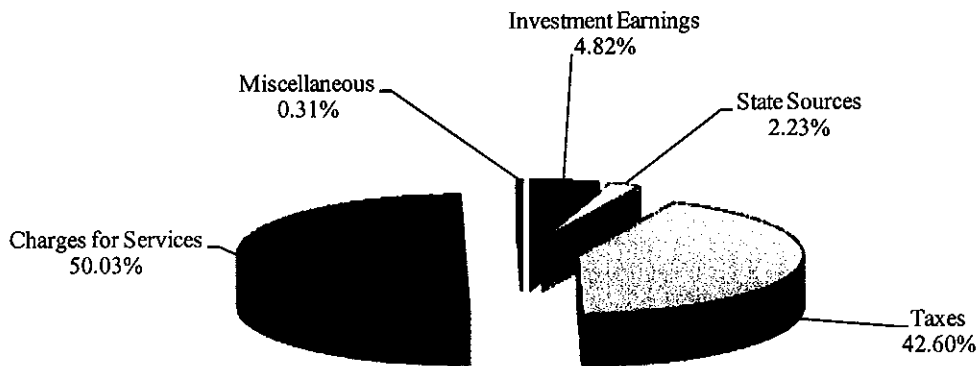
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2006 AND 2005**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)**

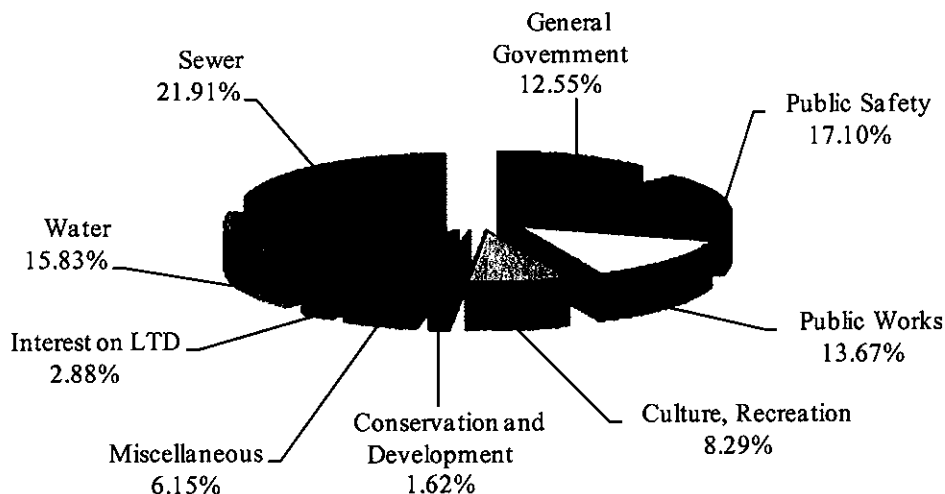
Changes in Net Assets

The City's revenues (excluding transfers and gain on capital assets) totaled \$1,241,091 and \$806,321, respectively, for the years ended December 31, 2006 and 2005. See Figure A-2 below. The total cost of all programs and services increased also for the years ended December 31, 2006 and 2005. The City's expenses cover a range of services, with over 43 percent related to public works, public safety, and general government. (See Figure A-3)

**Figure A-2: 2006 Revenues**



**Figure A-3: 2006 Expenditures**



**CITY OF WHITEWOOD**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2006 AND 2005**

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)**

Changes in Net Assets (Continued)

Table A-2

	<b>Total Governmental Activities</b>		<b>Total Business-Type Activities</b>		<b>Grand Total</b>	
	2005	2006	2005	2006	2005	2006
<b>Revenues</b>						
<i>Program Revenues</i>						
Charges for Services	\$ 107,364	\$ 115,899	\$ 294,444	\$ 314,987	\$ 401,808	\$ 430,886
Operating Grants and Contributions	15,584	-	-	-	15,584	-
Capital Grants and Contributions	-	224,050	-	155,867	-	379,917
<i>General Revenues</i>						
Taxes	352,512	366,861	-	-	352,512	366,861
Revenue State Sources	16,558	19,235	-	-	16,558	19,235
Unrestricted Investment Earnings	9,360	23,859	8,800	17,693	18,160	41,552
Gain on Sale	14,202	24	-	-	14,202	24
Other	1,405	2,640	294	-	1,699	2,640
<b>Total Revenues</b>	<b>516,985</b>	<b>752,568</b>	<b>303,538</b>	<b>488,547</b>	<b>820,523</b>	<b>1,241,115</b>
<b>Expenses</b>						
General Government	102,482	89,511	-	-	102,482	89,511
Public Safety	117,014	121,915	-	-	117,014	121,915
Public Works	77,230	97,468	-	-	77,230	97,468
Culture and Recreation	67,874	59,118	-	-	67,874	59,118
Conservation and Development	942	11,522	-	-	942	11,522
Interest on Long-Term Debt	25,416	20,555	-	-	25,416	20,555
Miscellaneous	36,634	43,854	-	-	36,634	43,854
Water Services	-	-	103,655	112,861	103,655	112,861
Sewer Services	-	-	144,928	156,219	144,928	156,219
<b>Total Expenses</b>	<b>427,592</b>	<b>443,943</b>	<b>248,583</b>	<b>269,080</b>	<b>676,175</b>	<b>713,023</b>
<b>Excess Revenues Before Transfers</b>	<b>89,393</b>	<b>308,625</b>	<b>54,955</b>	<b>219,467</b>	<b>144,348</b>	<b>528,092</b>
Transfers	3,163	8,801	(3,163)	(8,801)	-	-
<b>Increase in Net Assets</b>	<b>\$ 92,556</b>	<b>\$ 317,426</b>	<b>\$ 51,792</b>	<b>\$ 210,666</b>	<b>\$ 144,348</b>	<b>\$ 528,092</b>
<b>Ending Net Assets</b>	<b>\$ 1,015,329</b>	<b>\$ 1,332,755</b>	<b>\$ 1,935,363</b>	<b>\$ 2,146,029</b>	<b>\$ 2,950,692</b>	<b>\$ 3,478,784</b>

## **CITY OF WHITEWOOD**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) DECEMBER 31, 2006 AND 2005**

#### **FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONCLUDED)**

##### **Governmental Activities**

During 2006, revenues of the City's governmental activities exceeded expenses by \$317,426. Factors contributing to these results included:

- \$224,050 of capital contributions
- \$48,528 Increase in property tax revenue

During 2005, revenues of the City's governmental activities exceeded expenses by \$92,556. This increase was due primarily to a \$35,633 increase in sales tax revenue during 2005.

##### **Business-Type Activities**

During 2006, revenues of the City's business-type activities exceeded expenses by \$210,666. This increase was due primarily to \$155,867 of capital contributions during 2006.

During the years ended December 31, 2006 and 2005, the business-type - enterprise funds transferred \$8,801 and \$3,163, respectively, to the governmental activities - general fund to subsidize operations.

#### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The financial analysis of the City's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains several governmental funds and two business-type funds. Most of the City's funds had some gain during the year.

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City Council revised the City budget several times. These amendments fall into two categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens.
- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.

There were no significant budgetary changes and no significant budget variances in the general fund during the years ended December 31, 2006 and 2005.

**CITY OF WHITEWOOD**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**DECEMBER 31, 2006 AND 2005**

**CAPITAL ASSET ADMINISTRATION**

The City had invested \$2,849,159 and \$2,439,676 in a broad range of capital assets at December 31, 2006 and 2005, respectively, including land, buildings, various machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of \$409,483 and a net decrease (including additions and deductions) of \$1,367 at December 31, 2006 and 2005, respectively.

Table A-3

<b>Capital Assets (Net of Depreciation)</b>				
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	2005	2006	2005	2006
Land	\$ 20,200	\$ 20,200	\$ 23,253	\$ 23,253
Buildings	164,040	159,860	403,584	359,165
Improvements	556,127	755,513	1,137,551	1,333,153
Machinery and Equipment	80,556	111,661	50,038	42,111
Construction Work in Progress	-	-	4,327	44,243
<b>Totals</b>	<b>\$ 820,923</b>	<b>\$ 1,047,234</b>	<b>\$ 1,618,753</b>	<b>\$ 1,801,925</b>

The 2006 major governmental capital asset additions included:

- Twin Park's street addition of \$216,361
- Police vehicle for \$17,515
- \$10,348 of library books

Business-type major additions include the Twin Park's water and sewer lines for \$159,899 and the Pine Street sewer lines for \$76,072.

The 2005 major governmental capital asset additions included \$13,077 of library books.

Business-type major additions included the UV Disinfectant Building for \$94,755.

# **CITY OF WHITEWOOD**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)** **DECEMBER 31, 2006 AND 2005**

### **LONG-TERM DEBT**

At the December 31, 2006 and 2005, the City had \$650,764 and \$671,425, respectively, in Sales Tax Revenue Bonds, Special Assessment Debt, and compensated absences.

Table A-4

<b>Outstanding Debt and Obligations</b>				
	<b>Governmental Activities</b>		<b>Business-type Activities</b>	
	2005	<u>2006</u>	2005	<u>2006</u>
Compensated Absences	\$ 2,474	\$ 4,753	\$ 2,884	\$ 1,802
Sales Tax Revenue Bonds	265,459	245,513	-	-
Special Assessment Loan	196,561	178,417	-	-
State Revolving Loans	-	-	204,047	182,443
Rural Development Loan	-	-	-	37,836
<b>Total</b>	<b>\$ 464,494</b>	<b>\$ 428,683</b>	<b>\$ 206,931</b>	<b>\$ 222,081</b>

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's current economic position has shown continued improvement. For the years ended December 31, 2006 and 2005, the City did experience an increase in total property valuation of \$1,282,897 and \$1,331,726, respectively, or 6.6 and 7.4 percent increases from the prior years. The increase in property valuation allows the City the ability to increase the amount of revenue generated from property taxes by approximately \$48,258 and \$870 for the years ended December 31, 2006 and 2005, respectively. Under the state mandated property tax freeze, property taxes from one year to the next may increase 3 percent or an amount based on the Consumer Price Index (CPI), whichever is lower.

One of the primary sources of revenue to the City is based on taxable retail sales in the community (sales tax). The city experienced a decrease in taxable sales of 5 percent during 2006 and an increase of 24 percent during 2005 over the previous year and has budgeted for an increase in sales tax revenue for 2007.

The City's adopted General Fund budget for the next fiscal year will be \$427,677. The largest portion of this increase is due to increased debt service and to wage increases.

The City's business-type activities (water and sewer operations) expect that the results for 2007 will continue to improve based on a recent rate increase implemented to cover the increasing cost of wages, benefits and cost of operations.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Whitewood Finance Office, 625 Fifth Street, Whitewood, SD 57783.

**CITY OF WHITEWOOD**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Assets:</b>			
Cash	\$ 496,777	\$ 98,372	\$ 595,149
Accounts Receivable, Net	213,986	32,032	246,018
Restricted Investments	14,718	461,102	475,820
Capital Assets (Note 6):			
Land, Improvements and Construction in Progress	20,200	67,496	87,696
Other Capital Assets, Net of Depreciation	1,027,034	1,734,429	2,761,463
<b>TOTAL ASSETS</b>	<b>\$ 1,772,715</b>	<b>\$ 2,393,431</b>	<b>\$ 4,166,146</b>
<b>Liabilities:</b>			
Accounts Payable	\$ 5,645	\$ 3,560	\$ 9,205
Other Current Liabilities	5,632	21,761	27,393
Noncurrent Liabilities (Note 7):			
Due Within One Year	26,654	27,723	54,377
Due in More Than One Year	402,029	194,358	596,387
<b>TOTAL LIABILITIES</b>	<b>439,960</b>	<b>247,402</b>	<b>687,362</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	623,304	1,581,646	2,204,950
Restricted for:			
Debt Service	93,433	4,956	98,389
Unrestricted	616,018	559,427	1,175,445
<b>TOTAL NET ASSETS</b>	<b>1,332,755</b>	<b>2,146,029</b>	<b>3,478,784</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,772,715</b>	<b>\$ 2,393,431</b>	<b>\$ 4,166,146</b>

The accompanying notes are an integral part of the financial statements.

CITY OF WHITEWOOD

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	--- Program Revenues ---		Net (Expense) Revenue and		Total
		Charges	Grants and	Governmental	Business-Type	
		for Services	Contributions	Activities	Activities	
Primary Government						
Governmental Activities:						
General Government	\$ 89,511	\$ 7,294	\$ -	\$ (82,217)	\$ -	\$ (82,217)
Public Safety	121,915	512	-	(121,403)	-	(121,403)
Public Works	97,468	37,195	224,050	163,777	-	163,777
Culture and Recreation	59,118	4,601	-	(54,517)	-	(54,517)
Conservation and						
Development	11,522	-	-	(11,522)	-	(11,522)
Miscellaneous	43,854	66,297	-	22,443	-	22,443
Interest on Long Term Debt	20,555	-	-	(20,555)	-	(20,555)
Total Governmental Activities	443,943	115,899	224,050	(103,994)	-	(103,994)
Business-Type Activities:						
Water	112,861	178,664	97,354	-	163,157	163,157
Sewer	156,219	136,323	58,513	-	38,617	38,617
Total Business-Type Activities	269,080	314,987	155,867	-	201,774	201,774
Total Primary Government	\$ 713,023	\$ 430,886	\$ 379,917	(103,994)	201,774	97,780

General Revenues:

Taxes:			
Property Taxes	189,010	-	189,010
Sales Taxes	177,851	-	177,851
State Shared Revenue	19,235	-	19,235
Grants and Contributions Not Restricted	2,000	-	2,000
Unrestricted Investment Earnings	23,859	17,693	41,552
Miscellaneous Revenue	640	-	640
Gain on Disposal of Capital Assets	24	-	24
Transfers	8,801	(8,801)	-
Total General Revenue and Transfers	421,420	8,892	430,312

Change in Net Assets 317,426 210,666 528,092

Net Assets, Beginning 1,015,329 1,935,363 2,950,692

Net Assets, Ending \$ 1,332,755 \$ 2,146,029 \$ 3,478,784

The accompanying notes are an integral part of the financial statements.

CITY OF WHITEWOOD

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Economic Development Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
101 Cash (Note 2)	\$ 235,060	\$ 34,217	\$ 27,603	\$ 121,182	\$ 78,715	\$ 496,777
107 Restricted Investments (Note 2)	14,718	-	-	-	-	14,718
108 Property Taxes Receivable	5,603	-	-	-	-	5,603
110 Sales Taxes Receivable	14,361	-	-	-	-	14,361
115 Accounts Receivable	11,032	57	952	-	-	12,041
121 Special Assessments Receivable	-	-	-	-	95,880	95,880
128 Notes Receivable (Note 4)	-	-	-	46,101	-	46,101
128 Loan Receivable - West River Foundation	-	-	-	40,000	-	40,000
<b>Total Assets</b>	<b>\$ 280,774</b>	<b>\$ 34,274</b>	<b>\$ 28,555</b>	<b>\$ 207,283</b>	<b>\$ 174,595</b>	<b>\$ 725,481</b>
<b>Liabilities and Fund Balances</b>						
<i>Liabilities</i>						
202 Accounts Payable	\$ 5,534	\$ 111	\$ -	\$ -	\$ -	\$ 5,645
216 Accrued Wages Payable	3,632	-	-	-	-	3,632
220 Customer Deposits	2,000	-	-	-	-	2,000
224 Deferred Revenue (Note 3)	5,603	-	-	-	95,880	101,483
<b>Total Liabilities</b>	<b>16,769</b>	<b>111</b>	<b>-</b>	<b>-</b>	<b>95,880</b>	<b>112,760</b>
<i>Fund Balances</i>						
261 <i>Reserved Fund Balances</i>						
261.04 Reserved for Debt Service	14,718	-	-	-	-	14,718
261.16 Reserved for Notes Receivable	-	-	-	46,101	-	46,101
261.16 Reserved for Loan Receivable - West River Foundation	-	-	-	40,000	-	40,000
262 <i>Unreserved Fund Balances</i>						
262.03 Designated - Capital Outlay	-	20,000	-	-	-	20,000
262.09 Undesignated	249,287	14,163	28,555	121,182	78,715	491,902
<b>Total Fund Balances</b>	<b>264,005</b>	<b>34,163</b>	<b>28,555</b>	<b>207,283</b>	<b>78,715</b>	<b>612,721</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 280,774</b>	<b>\$ 34,274</b>	<b>\$ 28,555</b>	<b>\$ 207,283</b>	<b>\$ 174,595</b>	<b>\$ 725,481</b>

The accompanying notes are an integral part of the financial statements.



**CITY OF WHITEWOOD**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

Total Fund Balances - Governmental Funds	\$ 612,721
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Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,047,234
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(428,683)
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Assets, such as delinquent taxes receivable and special assessments receivable, are not available to pay for current period expenditures and therefore are deferred in the funds.	101,483
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<b>Total Net Assets - Governmental Funds</b>	<b><u>\$ 1,332,755</u></b>
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The accompanying notes are an integral part of the financial statements.

**CITY OF WHITEWOOD**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Economic Development Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>						
<i>Taxes:</i>						
311 General Property Taxes	\$ 145,762	\$ 52,970	\$ -	\$ -	\$ -	\$ 198,732
313 General Sales and Use Taxes	165,915	-	11,936	-	-	177,851
315 Amusement Taxes	168	-	-	-	-	168
319 Penalties and Interest on Delinquent Taxes	1,788	-	-	-	-	1,788
320 Licenses and Permits	7,294	-	-	-	-	7,294
<i>Intergovernmental Revenue:</i>						
State Shared Revenue:						
335.01 Bank Franchise Tax	441	-	-	-	-	441
335.03 Liquor Tax Reversion	4,703	-	-	-	-	4,703
335.04 Motor Vehicle Licenses (5%)	6,821	-	-	-	-	6,821
335.08 Local Government Highway and Bridge Fund	6,670	-	-	-	-	6,670
335.20 Other	14,091	-	-	-	-	14,091
County Shared Revenue:						
338.02 County HBR Tax	1,765	-	-	-	-	1,765
<i>Charges for Goods and Services:</i>						
344 Sanitation	21,919	-	-	-	-	21,919
345 Health	192	-	-	-	-	192
346 Culture and Recreation	4,571	30	-	-	-	4,601
349 Other	20	-	-	-	-	20
<i>Fines and Forfeits:</i>						
351 Court Fines and Costs	250	-	-	-	-	250
359 Other	70	-	-	-	-	70
<i>Miscellaneous Revenue:</i>						
361 Earnings on Deposits and Investments	7,626	1,543	1,051	11,253	2,386	23,859
363 Special Assessments	-	-	-	-	41,175	41,175
367 Contributions and Donations	-	-	2,000	-	-	2,000
368 Liquor Operating Agreement Income	66,297	-	-	-	-	66,297
369 Miscellaneous Revenue	640	-	-	-	-	640
<b>Total Revenue</b>	<b>457,003</b>	<b>54,543</b>	<b>14,987</b>	<b>11,253</b>	<b>43,561</b>	<b>581,347</b>

**CITY OF WHITEWOOD**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Economic Development Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Expenditures</b>						
<i>General Government:</i>						
411 Legislative	21,564	-	-	-	-	21,564
412 Executive	3,589	-	-	-	-	3,589
413 Elections	15	-	-	-	-	15
414 Financial Administration	40,916	-	-	-	-	40,916
419 Other	20,687	-	-	-	-	20,687
<i>Public Safety:</i>						
421 Police	110,193	-	-	-	-	110,193
422 Fire	2,283	-	-	-	-	2,283
423 Protective Inspection	4,537	-	-	-	-	4,537
<i>Public Works:</i>						
431 Highway and Streets	55,578	-	-	-	-	55,578
432 Sanitation	20,236	-	-	-	-	20,236
<i>Culture and Recreation:</i>						
452 Parks	13,061	-	-	-	-	13,061
455 Library	-	35,625	-	-	-	35,625
<i>Conservation and Development:</i>						
465 Economic Development	300	-	11,222	-	-	11,522
470 Debt Service	31,518	-	-	-	27,127	58,645
485 Capital Outlay	37,051	10,348	-	-	-	47,399
<i>Miscellaneous:</i>						
499 Liquor Operating Agreements	43,854	-	-	-	-	43,854
<b>Total Expenditures</b>	<b>405,382</b>	<b>45,973</b>	<b>11,222</b>	<b>-</b>	<b>27,127</b>	<b>489,704</b>
<b>Other Financing Sources (Uses)</b>						
391.1 Transfers In (Note 8)	11,261	-	-	-	-	11,261
511 Transfers Out (Note 8)	-	-	(338)	(1,116)	(1,006)	(2,460)
391.3 Proceeds from Sale of Capital Assets	24	-	-	-	-	24
<b>Total Other Financing Sources (Uses)</b>	<b>11,285</b>	<b>-</b>	<b>(338)</b>	<b>(1,116)</b>	<b>(1,006)</b>	<b>8,825</b>
<b>Net Change in Fund Balances</b>	<b>62,906</b>	<b>8,570</b>	<b>3,427</b>	<b>10,137</b>	<b>15,428</b>	<b>100,468</b>
<b>Fund Balances - December 31, 2005</b>	<b>201,099</b>	<b>25,593</b>	<b>25,128</b>	<b>197,146</b>	<b>63,287</b>	<b>512,253</b>
<b>Fund Balances - December 31, 2006</b>	<b>\$ 264,005</b>	<b>\$ 34,163</b>	<b>\$ 28,555</b>	<b>\$ 207,283</b>	<b>\$ 78,715</b>	<b>\$ 612,721</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF WHITEWOOD**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

Net change in fund balances - total government funds \$ 100,468

Amounts reported for governmental activities in the Statement of Activities  
are different because:

This amount represents capital asset purchases which are  
reported as expenditures on the fund financial statements,  
but increase assets on the government wide statements. 47,399

This amount represents the current year depreciation expense  
reported in the statement of activities, which is not reported on  
the fund financial statements because it does not require the  
use of current financial resources. (37,449)

The receipt of donated capital assets is not reported on the  
fund statements, but is reported as a program revenue on the  
government wide statements. 216,361

The fund financial statement governmental fund property tax accruals  
differ from the government wide statement property tax accruals in that the  
fund financial statements require the amounts to be "available." (11,678)

Governmental funds report special assessments as revenue when available,  
but the statement of activities includes the full amount of special assessments  
as revenue upon completion of the project at the point when an enforceable legal  
claim arises. (33,486)

Repayment of bond principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the Statement  
of Net Assets. 38,090

Governmental funds do not reflect the change in accrued leave, but the  
Statement of Activities reflects the change in accrued leave through  
expenditures. (2,279)

**Change in Net Assets of Governmental Activities**

**\$ 317,426**

The accompanying notes are an integral part of the financial statements.

**CITY OF WHITEWOOD**

**BALANCE SHEET  
PROPRIETARY FUNDS  
DECEMBER 31, 2006**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total Proprietary Funds</b>
<b>Assets</b>			
<b>Current Assets</b>			
101 Cash (Note 2)	\$ 64,153	\$ 34,219	\$ 98,372
107 Restricted Cash (Note 2)	436,556	24,546	461,102
115 Accounts Receivable	12,948	11,129	24,077
117 Unbilled Accounts Receivable	4,237	3,718	7,955
<b>Total Current Assets</b>	<b>517,894</b>	<b>73,612</b>	<b>591,506</b>
<b>Capital Assets (Note 6)</b>			
160 Land	-	23,253	23,253
162 Buildings	103,526	845,641	949,167
163 Accumulated Depreciation - Buildings	(59,644)	(530,358)	(590,002)
164 Improvements Other Than Buildings	1,032,215	867,114	1,899,329
165 Accumulated Depreciation - Improvements Other than Buildings	(319,931)	(246,245)	(566,176)
166 Machinery and Equipment	68,567	33,355	101,922
167 Accumulated Depreciation - Machinery and Equipment	(41,247)	(18,564)	(59,811)
168 Construction Work in Progress	44,243	-	44,243
<b>Total Capital Assets, Net</b>	<b>827,729</b>	<b>974,196</b>	<b>1,801,925</b>
<b>Total Assets</b>	<b>\$ 1,345,623</b>	<b>\$ 1,047,808</b>	<b>\$ 2,393,431</b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
202 Accounts Payable	\$ 1,991	\$ 1,569	\$ 3,560
205 Current Portion of Long-Term Debt (Note 7)	-	25,921	25,921
220 Customer Deposits	14,347	7,414	21,761
233 Accrued Leave Payable (Note 7)	901	901	1,802
<b>Total Current Liabilities</b>	<b>17,239</b>	<b>35,805</b>	<b>53,044</b>
<b>Long-Term Liabilities</b>			
237 Long-Term Debt, Net of Current Portion (Note 7)	-	194,358	194,358
<b>Total Liabilities</b>	<b>17,239</b>	<b>230,163</b>	<b>247,402</b>
<b>Net Assets</b>			
253.1 Invested in Capital Assets, Net of Related Debt	827,729	753,917	1,581,646
253.2 Restricted for Debt Service	-	4,956	4,956
252.0 Unrestricted Net Assets	500,655	58,772	559,427
<b>Total Net Assets</b>	<b>1,328,384</b>	<b>817,645</b>	<b>2,146,029</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,345,623</b>	<b>\$ 1,047,808</b>	<b>\$ 2,393,431</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF WHITEWOOD**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Total Proprietary Funds</u></b>
<b>Operating Revenue</b>			
380 Charges for Goods and Services	\$ 178,664	\$ -	\$ 178,664
380 Charges for Goods and Services: Security for Revenue Bonds	-	136,323	136,323
<b>Total Operating Revenue</b>	<b>178,664</b>	<b>136,323</b>	<b>314,987</b>
<b>Operating Expenses</b>			
410 Personal Services	39,000	46,334	85,334
420 Other Current Expense	44,383	34,147	78,530
457 Depreciation	29,478	65,159	94,637
<b>Total Operating Expenses</b>	<b>112,861</b>	<b>145,640</b>	<b>258,501</b>
<b>Operating Income (Loss)</b>	<b>65,803</b>	<b>(9,317)</b>	<b>56,486</b>
<b>Non-operating Income (Expense)</b>			
361 Earnings on Deposits and Investments	15,800	1,893	17,693
470 Interest Expense and Fiscal Charges	-	(10,579)	(10,579)
<b>Total Non-operating Income (Expense)</b>	<b>15,800</b>	<b>(8,686)</b>	<b>7,114</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>81,603</b>	<b>(18,003)</b>	<b>63,600</b>
391.07 Contributed Capital From Developers	97,354	58,513	155,867
511 Transfers Out (Note 8)	(7,003)	(1,798)	(8,801)
	<b>90,351</b>	<b>56,715</b>	<b>147,066</b>
<b>Net Income</b>	<b>171,954</b>	<b>38,712</b>	<b>210,666</b>
<b>Net Assets - January 1, 2006</b>	<b>1,156,430</b>	<b>778,933</b>	<b>1,935,363</b>
<b>Net Assets - December 31, 2006</b>	<b>\$ 1,328,384</b>	<b>\$ 817,645</b>	<b>\$ 2,146,029</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF WHITEWOOD**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total Proprietary Funds</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 179,718	\$ 137,143	\$ 316,861
Payments to Suppliers	(38,707)	(45,850)	(84,557)
Payments to Employees	(45,272)	(34,688)	(79,960)
<b>Net Cash Flows Provided by Operating Activities</b>	<b>95,739</b>	<b>56,605</b>	<b>152,344</b>
<b>Cash Flows Used in Noncapital Financing Activities:</b>			
Transfers Out	(7,003)	(1,798)	(8,801)
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase of Capital Assets	(46,165)	(75,777)	(121,942)
Principal Paid on Capital Debt	-	(23,768)	(23,768)
Proceeds on Capital Debt	-	40,000	40,000
Interest Expense	-	(10,579)	(10,579)
<b>Net Cash Flows Used in Capital and Related Financing Activities</b>	<b>(46,165)</b>	<b>(70,124)</b>	<b>(116,289)</b>
<b>Cash Flows Provided by Investing Activities:</b>			
Interest Earned	15,800	1,893	17,693
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>58,371</b>	<b>(13,424)</b>	<b>44,947</b>
<b>Cash and Cash Equivalents - January 1, 2006</b>	<b>442,338</b>	<b>72,189</b>	<b>514,527</b>
<b>Cash and Cash Equivalents - December 31, 2006</b>	<b>\$ 500,709</b>	<b>\$ 58,765</b>	<b>\$ 559,474</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ 65,803	\$ (9,317)	\$ 56,486
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:</i>			
Depreciation Expense	29,478	65,159	94,637
<b>Change in Assets and Liabilities:</b>			
Accounts Receivable	232	(748)	(516)
Accounts Payable	293	484	777
Benefits Payable	(348)	-	(348)
Customer Deposits	822	1,568	2,390
Accrued Leave Payable	(541)	(541)	(1,082)
<b>Net Cash Flows Provided by Operating Activities</b>	<b>\$ 95,739</b>	<b>\$ 56,605</b>	<b>\$ 152,344</b>
<b>Noncash Capital and Related Financing Activities</b>			
Capital Assets Contributed From Developers	\$ 97,354	\$ 58,513	\$ 155,867

The accompanying notes are an integral part of the financial statements.

**CITY OF WHITEWOOD**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>Assets:</b>			
Cash	\$ 359,652	\$ 109,318	\$ 468,970
Accounts Receivable, Net	303,696	31,516	335,212
Restricted Investments	14,718	405,209	419,927
Other Assets	257	-	257
Capital Assets (Note 6):			
Land, Improvements and Construction in Progress	20,200	27,580	47,780
Other Capital Assets, Net of Depreciation	800,723	1,591,173	2,391,896
<b>TOTAL ASSETS</b>	<b>\$ 1,499,246</b>	<b>\$ 2,164,796</b>	<b>\$ 3,664,042</b>
<b>Liabilities:</b>			
Accounts Payable	\$ 13,083	\$ 2,783	\$ 15,866
Other Current Liabilities	6,340	19,719	26,059
Noncurrent Liabilities (Note 7):			
Due Within One Year	40,564	24,488	65,052
Due in More Than One Year	423,930	182,443	606,373
<b>TOTAL LIABILITIES</b>	<b>483,917</b>	<b>229,433</b>	<b>713,350</b>
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	358,903	1,414,706	1,773,609
Restricted for:			
Debt Service	192,653	-	192,653
Unrestricted	463,773	520,657	984,430
<b>TOTAL NET ASSETS</b>	<b>1,015,329</b>	<b>1,935,363</b>	<b>2,950,692</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,499,246</b>	<b>\$ 2,164,796</b>	<b>\$ 3,664,042</b>

The accompanying notes are an integral part of the financial statements.



CITY OF WHITEWOOD

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Expenses	--- Program Revenues ---			Net (Expense) Revenue and		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Changes in Net Assets	
Primary Government							
Governmental Activities:							
General Government	\$ 102,482	\$ 1,550	\$ -	\$ (100,932)	\$ -	\$ (100,932)	
Public Safety	117,014	21,716	10,584	(84,714)	-	(84,714)	
Public Works	77,230	17,986	5,000	(54,244)	-	(54,244)	
Culture and Recreation	67,874	3,766	-	(64,108)	-	(64,108)	
Conservation and Development	942	-	-	(942)	-	(942)	
Miscellaneous	36,634	62,346	-	25,712	-	25,712	
Interest on Long Term Debt	25,416	-	-	(25,416)	-	(25,416)	
Total Governmental Activities	427,592	107,364	15,584	(304,644)	-	(304,644)	
Business-Type Activities:							
Water	103,655	166,450	-	-	62,795	62,795	
Sewer	144,928	127,994	-	-	(16,934)	(16,934)	
Total Business-Type Activities	248,583	294,444	-	-	45,861	45,861	
Total Primary Government	\$ 676,175	\$ 401,808	\$ 15,584	(304,644)	45,861	(258,783)	
General Revenues:							
Taxes:							
Property Taxes				165,373	-	165,373	
Sales Taxes				187,139	-	187,139	
State Shared Revenue				16,558	-	16,558	
Unrestricted Investment Earnings				9,360	8,800	18,160	
Miscellaneous Revenue				1,405	294	1,699	
Gain on Disposal of Capital Assets				14,202	-	14,202	
Transfers				3,163	(3,163)	-	
Total General Revenue and Transfers				397,200	5,931	403,131	
Change in Net Assets				92,556	51,792	144,348	
Net Assets, Beginning				908,037	1,883,571	2,791,608	
Prior Period Adjustment (Note 13)				14,736	-	14,736	
Net Assets, Ending				\$ 1,015,329	\$ 1,935,363	\$ 2,950,692	

The accompanying notes are an integral part of the financial statements.

**CITY OF WHITEWOOD**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Economic Development Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
101 Cash (Note 2)	\$ 180,914	\$ 25,877	\$ 24,563	\$ 65,011	\$ 63,287	\$ 359,652
107 Restricted Investments	14,718	-	-	-	-	14,718
108 Property Taxes Receivable	17,281	-	-	-	-	17,281
110 Sales Taxes Receivable	14,761	-	-	-	-	14,761
115 Accounts Receivable	9,588	-	565	-	-	10,153
121 Special Assessments Receivable	-	-	-	-	129,366	129,366
128 Notes Receivable (Note 4)	-	-	-	92,135	-	92,135
128 Loan Receivable - West River Foundation	-	-	-	40,000	-	40,000
131 Due from Other Governments	-	-	-	-	-	-
141 Inventory	257	-	-	-	-	257
<b>Total Assets</b>	<b>\$ 237,519</b>	<b>\$ 25,877</b>	<b>\$ 25,128</b>	<b>\$ 197,146</b>	<b>\$ 192,653</b>	<b>\$ 678,323</b>
<b>Liabilities and Fund Balances</b>						
<i>Liabilities</i>						
202 Accounts Payable	\$ 12,799	\$ 284	\$ -	\$ -	\$ -	\$ 13,083
216 Accrued Wages Payable	2,940	-	-	-	-	2,940
220 Customer Deposits	3,400	-	-	-	-	3,400
224 Deferred Revenue (Note 3)	17,281	-	-	-	129,366	146,647
<b>Total Liabilities</b>	<b>36,420</b>	<b>284</b>	<b>-</b>	<b>-</b>	<b>129,366</b>	<b>166,070</b>
<i>Fund Balances</i>						
261 <i>Reserved Fund Balances</i>						
261.04 Reserved for Debt Service	14,718	-	-	-	-	14,718
261.16 Reserved for Notes Receivable	-	-	-	92,135	-	92,135
261.16 Reserved for Loan Receivable - West River Foundation	-	-	-	40,000	-	40,000
262 <i>Unreserved Fund Balances</i>						
262.09 Undesignated	186,381	25,593	25,128	65,011	63,287	365,400
<b>Total Fund Balances</b>	<b>201,099</b>	<b>25,593</b>	<b>25,128</b>	<b>197,146</b>	<b>63,287</b>	<b>512,253</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 237,519</b>	<b>\$ 25,877</b>	<b>\$ 25,128</b>	<b>\$ 197,146</b>	<b>\$ 192,653</b>	<b>\$ 678,323</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF WHITEWOOD**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

Total Fund Balances - Governmental Funds	\$ 512,253
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	820,923
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds.	(464,494)
Assets, such as delinquent taxes receivable and special assessments receivable, are not available to pay for current period expenditures and therefore are deferred in the funds.	146,647
<b>Total Net Assets - Governmental Funds</b>	<b><u>\$ 1,015,329</u></b>

The accompanying notes are an integral part of the financial statements.

**CITY OF WHITEWOOD**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General Fund</u>	<u>Library Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Economic Development Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Revenue</b>						
<i>Taxes:</i>						
311 General Property Taxes	\$ 103,310	\$ 46,894	\$ -	\$ -	\$ -	\$ 150,204
313 General Sales and Use Taxes	175,526	-	11,613	-	-	187,139
315 Amusement Taxes	156	-	-	-	-	156
319 Penalties and Interest on Delinquent Taxes	268	-	-	-	-	268
320 Licenses and Permits	1,550	-	-	-	-	1,550
<i>Intergovernmental Revenue:</i>						
331 Federal Grants	10,584	-	-	-	-	10,584
334 State Grants	5,000	-	-	-	-	5,000
<i>State Shared Revenue:</i>						
335.01 Bank Franchise Tax	585	-	-	-	-	585
335.03 Liquor Tax Reversion	4,371	-	-	-	-	4,371
335.04 Motor Vehicle Licenses (5%)	5,057	-	-	-	-	5,057
335.08 Local Government Highway and Bridge Fund	6,584	-	-	-	-	6,584
335.20 Other	11,602	-	-	-	-	11,602
<i>County Shared Revenue:</i>						
338.02 County HBR Tax	813	-	-	-	-	813
<i>Charges for Goods and Services:</i>						
344 Sanitation	21,251	-	-	-	-	21,251
345 Health	188	-	-	-	-	188
346 Culture and Recreation	3,731	35	-	-	-	3,766
349 Other	83	-	-	360	-	443
<i>Fines and Forfeits:</i>						
351 Court Fines and Costs	325	-	-	-	-	325
359 Other	140	-	-	-	-	140
<i>Miscellaneous Revenue:</i>						
361 Earnings on Deposits and Investments	3,067	756	339	4,192	1,006	9,360
363 Special Assessments	-	-	-	-	28,688	28,688
368 Liquor Operating Agreement Income	62,346	-	-	-	-	62,346
369 Miscellaneous Revenue	592	-	-	-	-	592
<b>Total Revenue</b>	<b>417,129</b>	<b>47,685</b>	<b>11,952</b>	<b>4,552</b>	<b>29,694</b>	<b>511,012</b>

CITY OF WHITEWOOD

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (CONTINUED)  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General Fund</u>	<u>Library Fund</u>	<u>Additional Sales Tax Fund</u>	<u>Economic Development Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>Expenditures</b>						
<i>General Government:</i>						
411 Legislative	25,750	-	-	-	-	25,750
412 Executive	3,251	-	-	-	-	3,251
413 Elections	470	-	-	-	-	470
414 Financial Administration	46,593	-	-	-	-	46,593
419 Other	20,940	-	-	-	-	20,940
<i>Public Safety:</i>						
421 Police	111,184	-	-	-	-	111,184
422 Fire	1,060	-	-	-	-	1,060
423 Protective Inspection	2,113	-	-	-	-	2,113
<i>Public Works:</i>						
431 Highway and Streets	44,543	-	-	-	-	44,543
432 Sanitation	21,167	-	-	-	-	21,167
<i>Culture and Recreation:</i>						
452 Parks	27,654	-	-	-	-	27,654
455 Library	-	30,973	-	-	-	30,973
<i>Conservation and Development:</i>						
465 Economic Development	300	-	176	466	-	942
470 Debt Service	24,328	-	-	-	27,127	51,455
485 Capital Outlay	3,475	19,683	-	-	-	23,158
<i>Miscellaneous:</i>						
499 Liquor Operating Agreements	36,634	-	-	-	-	36,634
<b>Total Expenditures</b>	<b>369,462</b>	<b>50,656</b>	<b>176</b>	<b>466</b>	<b>27,127</b>	<b>447,887</b>
<b>Other Financing Sources (Uses)</b>						
391.1 Transfers In (Note 8)	4,056	-	-	-	-	4,056
511 Transfers Out (Note 8)	-	-	(163)	(81)	(649)	(893)
391.3 Proceeds from Sale of Capital Assets	14,202	-	-	-	-	14,202
<b>Total Other Financing Sources (Uses)</b>	<b>18,258</b>	<b>-</b>	<b>(163)</b>	<b>(81)</b>	<b>(649)</b>	<b>17,365</b>
<b>Net Change in Fund Balances</b>	<b>65,925</b>	<b>(2,971)</b>	<b>11,613</b>	<b>4,005</b>	<b>1,918</b>	<b>80,490</b>
<b>Fund Balances - December 31, 2004</b>	<b>135,174</b>	<b>28,564</b>	<b>13,515</b>	<b>193,141</b>	<b>61,369</b>	<b>431,763</b>
<b>Fund Balances - December 31, 2005</b>	<b>\$ 201,099</b>	<b>\$ 25,593</b>	<b>\$ 25,128</b>	<b>\$ 197,146</b>	<b>\$ 63,287</b>	<b>\$ 512,253</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF WHITEWOOD**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net change in fund balances - total government funds \$ 80,490

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Government funds report capital outlays as expenditures; however,  
in the Statement of Activities the cost of those assets is allocated over  
their estimated lives and reported as depreciation expense. This is  
the amount by which capital outlays exceeded depreciation in the  
current period. (8,330)

The fund financial statement governmental fund property tax accruals  
differ from the government wide statement property tax accruals in that the  
fund financial statements require the amounts to be "available." 14,745

Governmental funds report special assessments as revenue when available,  
but the statement of activities includes the full amount of special assessments  
as revenue upon completion of the project at the point when an enforceable  
legal claim arises. (22,974)

Repayment of bond principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the Statement  
of Net Assets. 26,039

Governmental funds do not reflect the change in accrued leave, but the  
Statement of Activities reflects the change in accrued leave through  
expenditures. 2,586

**Change in Net Assets of Governmental Activities**

**\$ 92,556**

The accompanying notes are an integral part of the financial statements.

**CITY OF WHITEWOOD**

**BALANCE SHEET  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total Proprietary Funds</b>
<b>Assets</b>			
<b>Current Assets</b>			
101 Cash (Note 2)	\$ 56,058	\$ 53,260	\$ 109,318
107 Restricted Cash (Note 2)	386,280	18,929	405,209
115 Accounts Receivable	13,361	10,608	23,969
117 Unbilled Accounts Receivable	4,056	3,491	7,547
<b>Total Current Assets</b>	<b>459,755</b>	<b>86,288</b>	<b>546,043</b>
<b>Capital Assets (Note 6)</b>			
160 Land	-	23,253	23,253
162 Buildings	103,526	845,641	949,167
163 Accumulated Depreciation - Buildings	(57,507)	(488,076)	(545,583)
164 Improvements Other Than Buildings	930,829	732,529	1,663,358
165 Accumulated Depreciation - Improvements Other than Buildings	(299,030)	(226,777)	(525,807)
166 Machinery and Equipment	67,606	32,394	100,000
167 Accumulated Depreciation - Machinery and Equipment	(34,807)	(15,155)	(49,962)
168 Construction Work in Progress	3,071	1,256	4,327
<b>Total Capital Assets, Net</b>	<b>713,688</b>	<b>905,065</b>	<b>1,618,753</b>
<b>Total Assets</b>	<b>\$ 1,173,443</b>	<b>\$ 991,353</b>	<b>\$ 2,164,796</b>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
202 Accounts Payable	\$ 1,698	\$ 1,085	\$ 2,783
205 Current Portion of Long-Term Debt (Note 7)	-	21,604	21,604
216 Accrued Benefits	348	-	348
220 Customer Deposits	13,525	5,846	19,371
233 Accrued Leave Payable (Note 7)	1,442	1,442	2,884
<b>Total Current Liabilities</b>	<b>17,013</b>	<b>29,977</b>	<b>46,990</b>
<b>Long-Term Liabilities</b>			
237 Long-Term Debt, Net of Current Portion (Note 7)	-	182,443	182,443
<b>Total Liabilities</b>	<b>17,013</b>	<b>212,420</b>	<b>229,433</b>
<b>Net Assets</b>			
253.1 Invested in Capital Assets, Net of Related Debt	713,688	701,018	1,414,706
252.0 Unrestricted Net Assets	442,742	77,915	520,657
<b>Total Net Assets</b>	<b>1,156,430</b>	<b>778,933</b>	<b>1,935,363</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,173,443</b>	<b>\$ 991,353</b>	<b>\$ 2,164,796</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF WHITEWOOD**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Total Proprietary Funds</u></b>
<b>Operating Revenue</b>			
380 Charges for Goods and Services	\$ 166,450	\$ -	\$ 166,450
380 Charges for Goods and Services: Security for Revenue Bonds	-	127,994	127,994
<b>Total Operating Revenue</b>	<b>166,450</b>	<b>127,994</b>	<b>294,444</b>
<b>Operating Expenses</b>			
410 Personal Services	35,880	39,545	75,425
420 Other Current Expense	29,095	36,993	66,088
457 Depreciation	38,680	58,043	96,723
<b>Total Operating Expenses</b>	<b>103,655</b>	<b>134,581</b>	<b>238,236</b>
<b>Operating Income (Loss)</b>	<b>62,795</b>	<b>(6,587)</b>	<b>56,208</b>
<b>Non-operating Income (Expense)</b>			
361 Earnings on Deposits and Investments	7,002	1,798	8,800
470 Interest Expense and Fiscal Charges	-	(10,347)	(10,347)
<b>Total Non-operating Income (Expense)</b>	<b>7,002</b>	<b>(8,549)</b>	<b>(1,547)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>69,797</b>	<b>(15,136)</b>	<b>54,661</b>
391.40 Compensation for Loss - Insurance Proceeds	294	-	294
391.1 Transfers In (Note 8)	-	8,000	8,000
511 Transfers Out (Note 8)	(9,784)	(1,379)	(11,163)
	<b>(9,490)</b>	<b>6,621</b>	<b>(2,869)</b>
<b>Net Income (Loss)</b>	<b>60,307</b>	<b>(8,515)</b>	<b>51,792</b>
<b>Net Assets - January 1, 2005</b>	<b>1,096,123</b>	<b>787,448</b>	<b>1,883,571</b>
<b>Net Assets - December 31, 2005</b>	<b>\$ 1,156,430</b>	<b>\$ 778,933</b>	<b>\$ 1,935,363</b>

The accompanying notes are an integral part of the financial statements.



**CITY OF WHITEWOOD**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total Proprietary Funds</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers	\$ 165,377	\$ 128,956	\$ 294,333
Payments to Suppliers	(35,413)	(39,736)	(75,149)
Payments to Employees	(30,581)	(38,827)	(69,408)
<b>Net Cash Flows Provided by Operating Activities</b>	<b>99,383</b>	<b>50,393</b>	<b>149,776</b>
<b>Cash Flows Provided From Noncapital Financing Activities:</b>			
Compensation for Loss	294	-	294
Transfers In (Out)	(9,784)	6,621	(3,163)
<b>Cash Flows Provided by (Used in) Noncapital Financing Activities</b>	<b>(9,490)</b>	<b>6,621</b>	<b>(2,869)</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase of Capital Assets	(4,870)	(98,816)	(103,686)
Principal Paid on Capital Debt	-	(20,695)	(20,695)
Interest Expense	-	(10,347)	(10,347)
<b>Net Cash Flows Used in Capital and Related Financing Activities</b>	<b>(4,870)</b>	<b>(129,858)</b>	<b>(134,728)</b>
<b>Cash Flows Provided by Investing Activities:</b>			
Interest Earned	7,002	1,798	8,800
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>92,025</b>	<b>(71,046)</b>	<b>20,979</b>
<b>Cash and Cash Equivalents - January 1, 2005</b>	<b>350,313</b>	<b>143,235</b>	<b>493,548</b>
<b>Cash and Cash Equivalents - December 31, 2005</b>	<b>\$ 442,338</b>	<b>\$ 72,189</b>	<b>\$ 514,527</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ 62,795	\$ (6,587)	\$ 56,208
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:</i>			
Depreciation Expense	38,680	58,043	96,723
Change in Assets and Liabilities:			
Accounts Receivable	(568)	345	(223)
Accounts Payable	467	(191)	276
Accrued Benefits	348	-	348
Customer Deposits	(505)	617	112
Accrued Leave Payable	(1,834)	(1,834)	(3,668)
<b>Net Cash Flows Provided by Operating Activities</b>	<b>\$ 99,383</b>	<b>\$ 50,393</b>	<b>\$ 149,776</b>

The accompanying notes are an integral part of the financial statements.

## **CITY OF WHITEWOOD**

### **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2006 AND 2005**

#### **(1) Summary of Significant Accounting Policies**

##### **a. Reporting Entity**

The reporting entity of the City of Whitewood (the City), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The City participates in a cooperative unit with Northern Hills Multi-Jurisdictional Drug Task Force. See Note 10 entitled Joint Venture for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the City.

##### **b. Basis of Presentation**

###### *Government-wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

###### *Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

## CITY OF WHITEWOOD

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2006 AND 2005

#### (1) Summary of Significant Accounting Policies (Continued)

##### b. Basis of Presentation (Continued)

###### *Fund Financial Statements (Continued):*

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the City financial reporting entity are described below:

###### Governmental Funds:

General Fund – the General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Library Fund – to account for the fines and similar charges deposited into the library board bank account. (SDCL 14-2-42) This is a major fund.

Additional Sales Tax Fund – to account for an additional one percent sales tax which may be used only for acquisition of land, capital improvement, and promotion of the City. This was changed to a major fund for 2005 and 2006.

Economic Development Fund – to account for the CDBG monies received in 1991. The money is used to create revolving loans for economic development purposes. This is a major fund.

Debt Service Funds – debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Special Assessment Debt Service Fund – to account for assessment payments from property owners which are used only for the payment of the Special Assessment debt principal, interest, and related cost. This is a major fund.

###### Proprietary Funds:

Enterprise Funds – enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

## CITY OF WHITEWOOD

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2006 AND 2005

#### (1) Summary of Significant Accounting Policies (Concluded)

##### b. Basis of Presentation (Concluded)

###### Proprietary Funds (Continued):

The enterprise funds apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

Water Fund – financed primarily by user charges. This fund accounts for the construction and operation of the City waterworks system and related facilities (SDCL 9-47-1). This is a major fund.

Sewer Fund – financed primarily by user charges. This fund accounts for the construction and operation of the City sanitary sewer system and related facilities (SDCL 9-48-2). This is a major fund.

##### c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

###### *Measurement Focus:*

###### Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

###### Fund Financial Statements:

In the fund financial statements, the current financial resources measurement focus and the modified-accrual basis of accounting are applied to governmental funds, while the economic resources measurement focus and the accrual basis of accounting are applied to the proprietary funds and fiduciary funds.

###### *Basis of Accounting:*

###### Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

###### Fund Financial Statements:

All governmental funds are accounted for using the modified-accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. Available means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the City of Whitewood, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2006 and 2005, are property and sales tax receivable, contract receivable, and special assessments receivable.

## **CITY OF WHITEWOOD**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2006 AND 2005**

#### **(1) Summary of Significant Accounting Policies (Continued)**

##### **d. Interfund Eliminations and Reclassifications**

###### Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.

###### Fund Financial Statements:

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. There are no significant inter-fund utility charges.

##### **e. Capital Assets**

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

###### Government-wide Financial Statements:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the donation date. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

During the year ended December 31, 2004, with the City's implementation of GASB 34, the balance of governmental activities capital assets included approximately ten percent for which the costs were determined by estimates of the original costs. Approximately ten percent of the total December 31, 2004, balance of business-type capital assets included costs that were determined by estimations of the original cost. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

**CITY OF WHITEWOOD**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2006 AND 2005**

**(1) Summary of Significant Accounting Policies (Continued)**

**e. Capital Assets (Continued)**

Government-wide Financial Statements: (Continued)

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the City. Infrastructure assets acquired since January 1, 2004, are recorded at cost, and classified as Improvements Other than Buildings.

Construction-period interest for capital assets used in governmental activities is not capitalized in accordance with USGAAP; however, construction period interest for capital assets used in business-type activities/proprietary fund's operations, is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Accumulated depreciation is reported on the government-wide Statement of Net Assets and on each proprietary fund's Statement of Net Assets/Balance Sheet.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ -0-	----N/A----	----N/A----
Improvements Other Than Buildings	\$ 10,000	Straight-line	15-75 yrs.
Buildings	All Buildings	Straight-line	50 yrs.
Machinery and Equipment	\$ 2,500	Straight-line	5-20 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

**f. Long-Term Liabilities**

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of sales tax revenue bonds, state revolving loan funds, special assessment debt, Rural Development loans and compensated absences.

In the governmental fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis for both the fund statements and the government-wide statements.

## **CITY OF WHITEWOOD**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2006 AND 2005**

#### **(1) Summary of Significant Accounting Policies (Continued)**

##### **g. Program Revenues**

Program revenues are derived directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals and are restricted for use in a particular program.
3. Program-specific capital grants and contributions – arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals and are restricted for the acquisition of capital assets for use in a particular program.

##### **h. Proprietary Funds Revenue and Expense Classifications**

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

##### **i. Cash and Cash Equivalents**

The City pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of the cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool, including restricted investments, is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

##### **j. Application of Net Assets**

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

##### **k. Equity Classifications**

##### Government-wide Financial Statements:

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt – consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) laws through constitutional provisions or enabling legislation.
3. Unrestricted net assets – all other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

## **CITY OF WHITEWOOD**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2006 AND 2005**

#### **(1) Summary of Significant Accounting Policies (Concluded)**

##### **k. Equity Classifications (Continued)**

###### Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between Reserved and Unreserved components. Proprietary fund equity is classified the same as in the government-wide financial statements.

##### **l. Inventory**

The City maintains no significant amounts of inventory at December 31, 2006 and 2005.

#### **(2) Deposits and Investments**

The City follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

**Deposits** – The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation duly authorized to do business in South Dakota.

**Investments** – In General, SDCL 4-5-6 permits City funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly including, without limitation, United States treasury bills, notes, bonds, and other obligations issued or directly or indirectly guaranteed by the United States government, or otherwise directly or indirectly backed by the full faith and credit of the United States government; provided that, for other than permanent, trust, retirement, building, and depreciation reserve funds, such securities shall either mature within eighteen months from the date of purchase or be redeemable at the option of the holder within eighteen months from the date of purchase; or (b) repurchase agreements fully collateralized by securities described in (a) and meeting the requirements of § 4-5-9, if the repurchase agreements are entered into only with those primary reporting dealers that report to the Federal Reserve Bank of New York and with the one hundred largest United States commercial banks, as measured by domestic deposits; or (c) in shares of an open-end, no-load fund administered by an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933 and whose only investments are in securities described in (a) and repurchase agreements described in (b).



# **CITY OF WHITEWOOD**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2006 AND 2005**

### **(2) Deposits and Investments**

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturity</u>	<u>Fair Value at 12/31/2006</u>
U.S. Government Securities			
Federal Home Loan Mortgage Corporation Notes	AAA	15 - 30 years	\$ 57,313
Federal Home Loan Bank Bonds	AAA	1 year	15,050
Federal National Mortgage Association Notes	AAA	3 - 30 years	150,543
External Investment Pools:			
SDFIT	Unrated		457,284
<b>Total Investments</b>			<b>\$ 680,190</b>

#### *Interest Rate Risk:*

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### *Credit Risk:*

State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices. As of December 31, 2006 and 2005, the City's investment in SDFIT pool was unrated.

#### *Custodial Credit Risk:*

The risk that, in the event of a depository failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2006 and 2005, none of the City's deposits were exposed to custodial credit risk.

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing. It is regulated by a nine-member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

#### *Restricted Investments:*

Restricted investments consist of amounts that are restricted for Wastewater utility replacements, debt service, and capital improvements in the Water fund.

### **(3) Deferred Revenue**

Under the modified-accrual basis of accounting, receivables may be measurable but not available. Receivables are considered available if they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are deferred when the asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenues consist primarily of delinquent property taxes receivable and special assessments receivable.

**CITY OF WHITEWOOD**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2006 AND 2005**

**(4) Notes Receivable**

The City has a note receivable from Jenwood, LLC with a balance of **\$46,101** and \$56,135 as of December 31, 2006, and 2005, respectively. The note is due in monthly installments of \$742, including interest at five percent. The note receivable is secured by property and matures in December 2012. Another note receivable for \$36,000 was issued during the year ended December 31, 2005, and was repaid in full during the year ended December 31, 2006.

**(5) Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments before April 30 and October 31 of the following year. The county bills and collects the taxes and remits them to the City. The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

**(6) Changes in Capital Assets**

A summary of changes in capital assets for year ending December 31 is as follows:

	Balance 1/1/2005	Additions	Deletions	Balance 12/31/2005
<i>Governmental Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$ 20,200	\$ -	\$ -	\$ 20,200
Total Capital Assets, not being Depreciated	20,200	-	-	20,200
Capital Assets, being Depreciated:				
Buildings	214,000	-	-	214,000
Improvements Other Than Buildings	599,154	-	-	599,154
Machinery and Equipment	268,939	23,158	4,183	287,914
Total Capital Assets, being Depreciated	1,082,093	23,158	4,183	1,101,068
Less Accumulated Depreciation for:				
Buildings	45,780	4,180	-	49,960
Improvements Other Than Buildings	30,379	12,648	-	43,027
Machinery and Equipment	196,881	14,660	4,183	207,358
Total Accumulated Depreciation	273,040	31,488	4,183	300,345
Total Governmental Activities Capital Assets, being Depreciated, Net	809,053	(8,330)	-	800,723
Total Governmental Capital Assets, Net	\$ 829,253	\$ (8,330)	\$ -	\$ 820,923

Depreciation expense was charged to functions as follows:

Public Works	\$ 19,849
Culture and Recreation	7,646
General Government	2,640
Public Safety	1,353
Total Depreciation Expense - Governmental	\$ 31,488

**CITY OF WHITEWOOD**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2006 AND 2005**

**(6) Changes in Capital Assets (Continued)**

	<u>Balance</u> <u>1/1/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2005</u>
<i>Business-Type Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$ 23,253	\$ -	\$ -	\$ 23,253
Construction Work in Progress	7,741	4,327	7,741	4,327
Total Capital Assets, not being Depreciated	30,994	4,327	7,741	27,580
Capital Assets, being Depreciated:				
Buildings	854,412	94,755	-	949,167
Improvements Other Than Buildings	1,663,358	-	-	1,663,358
Machinery and Equipment	87,655	12,345	-	100,000
Total Capital Assets, being Depreciated	2,605,425	107,100	-	2,712,525
Less Accumulated Depreciation for:				
Buildings	510,158	35,425	-	545,583
Improvements Other Than Buildings	479,070	46,737	-	525,807
Machinery and Equipment	35,401	14,561	-	49,962
Total Accumulated Depreciation	1,024,629	96,723	-	1,121,352
Total Business-Type Activities Capital Assets, being Depreciated, Net	1,580,796	10,377	-	1,591,173
Total Business-Type Capital Assets, Net	\$ 1,611,790	\$ 14,704	\$ 7,741	\$ 1,618,753

Depreciation expense was charged to functions as follows:

Water	\$ 38,680
Sewer	58,043
Total Depreciation Expense - Business-Type	\$ 96,723

**CITY OF WHITEWOOD**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2006 AND 2005**

**(6) Changes in Capital Assets (Continued)**

A summary of changes in capital assets for year ending December 31 is as follows:

	Balance 1/1/2006	Additions	Deletions	Balance 12/31/2006
<i>Governmental Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$ 20,200	\$ -	\$ -	\$ 20,200
Total Capital Assets, not being Depreciated	20,200	-	-	20,200
Capital Assets, being Depreciated:				
Buildings	214,000	-	-	214,000
Improvements Other Than Buildings	599,154	216,361	-	815,515
Machinery and Equipment	287,914	47,399	4,570	330,743
Total Capital Assets, being Depreciated	1,101,068	263,760	4,570	1,360,258
Less Accumulated Depreciation for:				
Buildings	49,960	4,180	-	54,140
Improvements Other Than Buildings	43,027	16,975	-	60,002
Machinery and Equipment	207,358	16,294	4,570	219,082
Total Accumulated Depreciation	300,345	37,449	4,570	333,224
Total Governmental Activities Capital Assets, being Depreciated, Net	800,723	226,311	-	1,027,034
Total Governmental Capital Assets, Net	\$ 820,923	\$ 226,311	\$ -	\$ 1,047,234

Depreciation expense was charged to functions as follows:

Public Works	\$ 19,375
Culture and Recreation	10,432
Public Safety	4,902
General Government	2,740
Total Depreciation Expense - Governmental	\$ 37,449

## CITY OF WHITEWOOD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006 AND 2005

## (6) Changes in Capital Assets (Concluded)

	Balance 1/1/2006	Additions	Deletions	Balance 12/31/2006
<i>Business-Type Activities:</i>				
Capital Assets, not being Depreciated:				
Land	\$ 23,253	\$ -	\$ -	\$ 23,253
Construction Work in Progress	4,327	41,172	1,256	44,243
Total Capital Assets, not being Depreciated	27,580	41,172	1,256	67,496
Capital Assets, being Depreciated:				
Buildings	949,167	-	-	949,167
Improvements Other Than Buildings	1,663,358	235,971	-	1,899,329
Machinery and Equipment	100,000	1,922	-	101,922
Total Capital Assets, being Depreciated	2,712,525	237,893	-	2,950,418
Less Accumulated Depreciation for:				
Buildings	545,583	44,419	-	590,002
Improvements Other Than Buildings	525,807	40,369	-	566,176
Machinery and Equipment	49,962	9,849	-	59,811
Total Accumulated Depreciation	1,121,352	94,637	-	1,215,989
Total Business-Type Activities Capital Assets, being Depreciated, Net	1,591,173	143,256	-	1,734,429
Total Business-Type Capital Assets, Net	\$ 1,618,753	\$ 184,428	\$ 1,256	\$ 1,801,925

Depreciation expense was charged to functions as follows:

Water	\$ 29,478
Sewer	65,159
Total Depreciation Expense - Business-Type	\$ 94,637

Construction Work in Progress as of December 31, 2006, for business-type activities is for a water project, which will be funded by the Water Fund through current City funds and grant and loan funding from Rural Development. The City estimates the remaining costs to complete the project will be \$1,327,140.

## CITY OF WHITEWOOD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006 AND 2005

## (7) Long-Term Debt

The following is a summary of the long-term debt activity for the year ending December 31:

	Balance 1/1/2005	Earned/ Borrowings	Used/ Repayments	Balance 12/31/2005	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Sales Tax Revenue Bonds	\$ 275,000	\$ -	\$ 9,541	\$ 265,459	\$ 19,946
Special Assessment Bonds	213,059	-	16,498	196,561	18,144
Compensated Absences	5,060	2,908	5,494	2,474	2,474
<b>Total Governmental Activities</b>	<b>\$ 493,119</b>	<b>\$ 2,908</b>	<b>\$ 31,533</b>	<b>\$ 464,494</b>	<b>\$ 40,564</b>
<b>Business-Type Activities:</b>					
State Revolving Fund Loans	\$ 224,742	\$ -	\$ 20,695	\$ 204,047	\$ 21,604
Compensated Absences	6,552	3,392	7,060	2,884	2,884
<b>Total Business-Type Activities</b>	<b>\$ 231,294</b>	<b>\$ 3,392</b>	<b>\$ 27,755</b>	<b>\$ 206,931</b>	<b>\$ 24,488</b>
<b>Total Primary Government</b>	<b>\$ 724,413</b>	<b>\$ 6,300</b>	<b>\$ 59,288</b>	<b>\$ 671,425</b>	<b>\$ 65,052</b>

	Balance 1/1/2006	Earned/ Borrowings	Used/ Repayments	Balance 12/31/2006	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental Activities:</b>					
Sales Tax Revenue Bonds	\$ 265,459	\$ -	\$ 19,946	\$ 245,513	\$ 2,927
Special Assessment Bonds	196,561	-	18,144	178,417	18,974
Compensated Absences	2,474	5,450	3,171	4,753	4,753
<b>Total Governmental Activities</b>	<b>\$ 464,494</b>	<b>\$ 5,450</b>	<b>\$ 41,261</b>	<b>\$ 428,683</b>	<b>\$ 26,654</b>
<b>Business-Type Activities:</b>					
State Revolving Fund Loans	\$ 204,047	\$ -	\$ 21,604	\$ 182,443	\$ 22,553
Rural Development Loan	-	40,000	2,164	37,836	3,368
Compensated Absences	2,884	2,067	3,149	1,802	1,802
<b>Total Business-Type Activities</b>	<b>\$ 206,931</b>	<b>\$ 42,067</b>	<b>\$ 26,917</b>	<b>\$ 222,081</b>	<b>\$ 27,723</b>
<b>Total Primary Government</b>	<b>\$ 671,425</b>	<b>\$ 47,517</b>	<b>\$ 68,178</b>	<b>\$ 650,764</b>	<b>\$ 54,377</b>

**CITY OF WHITEWOOD**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2006 AND 2005**

**(7) Long-Term Debt (Continued)**

Long-term debt at December 31, is comprised of the following:

	<u>2006</u>	<u>2005</u>
<i>Revenue Bonds</i>		
Sales Tax Revenue Bond, Series 2004; bears interest at 4.375 percent; due in monthly installments of \$1,267 through June 2044. Financed through the General Fund.	\$ 245,513	\$ 265,459
<i>Special Assessments:</i>		
Special Assessment Bond, Series 2004; bears interest at 4.57 percent; due in annual installments of \$27,127 through June 2014. Financed through the Debt Service Fund.	178,417	196,561
<i>State Revolving Fund Revenue Bonds:</i>		
State Revolving Fund Revenue Bonds, 1992; bears interest at 4 percent; due in quarterly installments of \$4,022 through September 2008. Financed through the Sewer Fund.	27,060	41,697
State Revolving Fund Revenue Bonds, 2001; bears interest at 5 percent; due in quarterly installments of \$3,739 through July 2021. Financed through the Sewer Fund.	155,383	162,350
<i>Loans:</i>		
Rural Development Loan, 2006; bears interest at 4.375 percent, due in monthly installments of \$413 through April 2016. Financed through the Sewer Fund.	37,836	-
	<u>644,209</u>	<u>666,067</u>
<i>Compensated Absences</i>		
General Fund	4,142	2,474
Library Fund	611	-
Water Fund	901	1,442
Sewer Fund	901	1,442
Total Compensated Absences	<u>6,555</u>	<u>5,358</u>
<b>Total Long-Term Debt</b>	<b>\$ 650,764</b>	<b>\$ 671,425</b>

**CITY OF WHITEWOOD**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2006 AND 2005**

**(7) Long-Term Debt (Continued)**

The annual requirements to amortize long-term debt outstanding as of December 31, 2006, except for compensated absences are as follows:

	Revenue Bonds		Special Assessments		State Revolving	
	Interest	Principal	Interest	Principal	Interest	Principal
2007	\$ 11,791	\$ 2,927	\$ 8,154	\$ 18,974	\$ 8,489	\$ 22,553
2008	11,660	3,057	7,287	19,841	7,498	19,523
2009	11,524	3,194	6,380	20,747	6,868	8,087
2010	11,381	3,337	5,432	21,696	6,456	8,499
2011	11,232	3,486	4,440	22,687	6,023	8,932
2012-2016	53,685	19,905	6,909	74,472	22,809	51,965
2017-2021	49,254	24,336	-	-	11,892	62,884
2022-2026	42,785	30,805	-	-	-	-
2027-2031	35,268	38,322	-	-	-	-
2032-2036	25,916	47,674	-	-	-	-
2037-2041	14,283	59,307	-	-	-	-
2042-2046	649	9,163	-	-	-	-
<b>Total</b>	<b>\$ 279,428</b>	<b>\$ 245,513</b>	<b>\$ 38,602</b>	<b>\$ 178,417</b>	<b>\$ 70,035</b>	<b>\$ 182,443</b>

	Loans		Total	
	Interest	Principal	Interest	Principal
2007	\$ 1,588	\$ 3,368	\$ 30,022	\$ 47,822
2008	1,438	3,518	27,883	45,939
2009	1,281	3,675	26,053	35,703
2010	1,443	3,513	24,712	37,045
2011	960	3,996	22,655	39,101
2012-2016	2,122	19,766	85,525	166,108
2017-2021	-	-	61,146	87,220
2022-2026	-	-	42,785	30,805
2027-2031	-	-	35,268	38,322
2032-2036	-	-	25,916	47,674
2037-2041	-	-	14,283	59,307
2042-2046	-	-	649	9,163
<b>Total</b>	<b>\$ 8,832</b>	<b>\$ 37,836</b>	<b>\$ 396,897</b>	<b>\$ 644,209</b>



## CITY OF WHITEWOOD

NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2006 AND 2005

## (8) Interfund Transfers

Interfund transfers during the year ended December 31, were as follows:

Funds	2006		2005	
	Transfers In	Transfers Out	Transfers In	Transfers Out
General Fund	\$ 11,261	\$ -	\$ 4,056	\$ -
Additional Sales Tax Fund	-	338	-	163
Economic Development Fund	-	1,116	-	81
Debt Service Fund	-	1,006	-	649
Water Fund	-	7,003	-	9,784
Sewer Fund	-	1,798	8,000	1,379
<b>Total Transfers</b>	<b>\$ 11,261</b>	<b>\$ 11,261</b>	<b>\$ 12,056</b>	<b>\$ 12,056</b>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## (9) Retirement Plan -- South Dakota Retirement System

All full-time employees participate in the South Dakota Retirement System (SDRS), a cost-sharing multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivors' benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute six percent of their salary to the plan, while public safety and judicial employees contribute eight and nine percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2006, 2005, and 2004 were \$11,812, \$11,022, and \$10,273 respectively, equal to the required contributions each year.

## (10) Joint Venture

The City participates in a joint venture, known as the Northern Hills Multi-Jurisdictional Drug Task Force, formed for the purpose of implementing and improving state and local drug law enforcement.

The members of the joint venture, each with 10 percent participation, are as follows:

Butte County	Newell City
Lawrence County	Deadwood City
Meade County	Belle Fourche City
Spearfish City	Lead City
Sturgis City	Whitewood City

## **CITY OF WHITEWOOD**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2006 AND 2005**

#### **(10) Joint Venture (Continued)**

The joint venture's governing board is composed of ten representatives, who are the sheriffs from each county and the police chief for each municipality. The board is responsible for adopting the budget and setting service fees at a level adequate to fund the adopted budget.

The City retains no equity in the net assets of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from the Lawrence County Sheriff's Office.

#### **(11) Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2006 and 2005, the City managed its risks as follows:

##### Employee Health Insurance:

The City joined the South Dakota Municipal League Health Pool of South Dakota. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage includes a \$2,500,000 lifetime maximum payment per person.

The City does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

##### Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium to the pool to provide liability coverage detailed below, under a claims-made policy, and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for police, fire, and vehicles.

The agreement with the SDPAA provides that the above coverages will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The City carries a \$2,000 deductible for the police and fire coverage and \$100 - \$250 deductible for the vehicle coverage.

The Municipality does not carry additional liability insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

##### Worker's Compensation:

The City joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$325,000 of any claim per individual. The pool has reinsurance, which covers up to an additional \$2,000,000 per individual per incident.

## **CITY OF WHITEWOOD**

### **NOTES TO FINANCIAL STATEMENTS (CONCLUDED) DECEMBER 31, 2006 AND 2005**

#### **(11) Risk Management (Continued)**

##### Worker's Compensation (Continued):

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

##### Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

#### **(12) City Officers**

The following were City officers for the year ended December 31, 2006:

**Mayor:**  
Michael Weyrich  
**Council:**  
Ryan Albrandt  
Albert Derby  
Joe Garry  
Cory Heckenlaible  
Julie Karlson  
Dan Schmidt

#### **(13) Prior Period Adjustments**

The governmental capital asset accumulated depreciation as of December 31, 2004 has been restated by \$29,697 due to errors identified in the City's depreciation schedule. The governmental capital asset and corresponding accumulated depreciation have also been restated by \$154,269 and \$109,836, respectively, due to the City recording the library books as capital assets.

#### **(14) Conduit Debt**

During 2005, the City issued revenue bonds to provide financial assistance to certain private sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facility is retained by the private-sector entity served by the bond issuance.

Neither the City, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements.

The original issue amount of these bonds was \$238,000 and the approximate outstanding balance as of December 31, 2006 was \$238,000.

## REQUIRED SUPPLEMENTARY INFORMATION

## CITY OF WHITEWOOD

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Basis - Actual</u>	<u>Variance</u>
<b>Revenue</b>				
<i>Taxes:</i>				
311 General Property Taxes	\$ 130,315	\$ 130,315	\$ 145,762	\$ 15,447
313 General Sales and Use Taxes	117,000	117,000	165,915	48,915
315 Amusement Taxes	-	-	168	168
319 Penalties and Interest on Delinquent Taxes	-	-	1,788	1,788
320 Licenses and Permits	2,000	2,000	7,294	5,294
<i>Intergovernmental Revenue:</i>				
334 State Grants	5,000	5,000	-	(5,000)
State Shared Revenue:				
335.01 Bank Franchise Tax	500	500	441	(59)
335.03 Liquor Tax Reversion	4,000	4,000	4,703	703
335.04 Motor Vehicle Licenses (5%)	5,000	5,000	6,821	1,821
335.1 Local Government Highway and Bridge Fund	10,000	10,000	6,670	(3,330)
335.20 Other	8,000	8,000	14,091	6,091
County Shared Revenue:				
338.02 County HBR Tax	1,000	1,000	1,765	765
<i>Charges for Goods and Services:</i>				
344 Sanitation	21,500	21,500	21,919	419
345 Health	200	200	192	(8)
346 Culture and Recreation	3,700	3,700	4,571	871
349 Other	1,000	1,000	20	(980)
<i>Fines and Forfeits:</i>				
351 Court Fines and Costs	300	300	250	(50)
359 Other	150	150	70	(80)
<i>Miscellaneous Revenue:</i>				
361 Earnings on Deposits and Investments	7,000	7,000	7,626	626
368 Liquor Operating Agreement Income	52,750	52,750	66,297	13,547
369 Miscellaneous Revenue	-	-	640	640
<b>Total Revenue</b>	<b>369,415</b>	<b>369,415</b>	<b>457,003</b>	<b>87,588</b>

CITY OF WHITEWOOD

BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Basis - Actual</u>	<u>Variance</u>
<b>Expenditures</b>				
<i>General Government:</i>				
411 Legislative	\$ 19,270	\$ 22,270	21,564	706
411.5 Contingency	30,000	30,000	-	30,000
Amount Transferred	-	(5,241)	-	(5,241)
412 Executive	3,710	3,710	3,589	121
413 Elections	625	625	15	610
414 Financial Administration	53,350	53,350	40,916	12,434
419 Other	21,300	25,300	20,687	4,613
<i>Public Safety:</i>				
421 Police	121,992	133,942	127,708	6,234
422 Fire	5,000	5,000	2,283	2,717
423 Protective Inspection	5,000	5,500	4,537	963
<i>Public Works:</i>				
431 Highways and Streets	55,365	62,365	60,214	2,151
432 Sanitation	21,500	21,500	20,236	1,264
<i>Culture and Recreation:</i>				
452 Parks	35,685	35,685	27,961	7,724
<i>Conservation and Development:</i>				
465 Economic Development and Assistance	300	300	300	-
470 Debt Service	31,518	31,518	31,518	-
499 Liquor Operating Agreements	34,800	44,800	43,854	946
<b>Total Expenditures</b>	<b>439,415</b>	<b>470,624</b>	<b>405,382</b>	<b>65,242</b>
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	<b>(70,000)</b>	<b>(101,209)</b>	<b>51,621</b>	<b>152,830</b>
<b>Other Financing Sources:</b>				
511 Transfers In	-	-	11,261	11,261
391.3 Proceeds from Sale of Capital Assets	-	-	24	24
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>11,285</b>	<b>11,285</b>
<b>Net Change in Fund Balance</b>	<b>(70,000)</b>	<b>(101,209)</b>	<b>62,906</b>	<b>164,115</b>
<b>Fund Balance - December 31, 2005</b>	<b>201,099</b>	<b>201,099</b>	<b>201,099</b>	<b>-</b>
<b>Fund Balance - December 31, 2006</b>	<b>\$ 131,099</b>	<b>\$ 99,890</b>	<b>\$ 264,005</b>	<b>\$ 164,115</b>

The accompanying notes to required supplementary information are an integral part of this statement.

**CITY OF WHITEWOOD**

**BUDGETARY COMPARISON SCHEDULE  
LIBRARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Basis - Actual</u>	<u>Variance</u>
<b>Revenue</b>				
<i>Taxes:</i>				
313 General Property Taxes	\$ 52,970	\$ 52,970	\$ 52,970	\$ -
<i>Charges for Goods and Services</i>				
346 Culture and Recreation	-	-	30	30
<i>Miscellaneous Revenue:</i>				
361 Earnings on Deposits and Investments	-	-	1,543	1,543
<b>Total Revenue</b>	<u>52,970</u>	<u>52,970</u>	<u>54,543</u>	<u>1,573</u>
<b>Expenditures</b>				
<i>Culture and Recreation:</i>				
455 Library	52,970	52,970	45,973	6,997
<b>Total Expenditures</b>	<u>52,970</u>	<u>52,970</u>	<u>45,973</u>	<u>6,997</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>-</u>	<u>8,570</u>	<u>8,570</u>
<b>Fund Balance - December 31, 2005</b>	<u>25,593</u>	<u>25,593</u>	<u>25,593</u>	<u>-</u>
<b>Fund Balance - December 31, 2006</b>	<u>\$ 25,593</u>	<u>\$ 25,593</u>	<u>\$ 34,163</u>	<u>\$ 8,570</u>

The accompanying notes to required supplementary information are an integral part of this statement.

## CITY OF WHITEWOOD

**BUDGETARY COMPARISON SCHEDULE**  
**ADDITIONAL SALES TAX FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Basis - Actual</u>	<u>Variance</u>
<b>Revenue</b>				
<i>Taxes:</i>				
313 General Sales and Use Taxes	\$ 12,000	\$ 12,000	\$ 11,936	\$ (64)
<i>Miscellaneous Revenue:</i>				
361 Earnings on Deposits and Investments	-	-	1,051	1,051
367 Contributions and Donations - Private Sources	-	-	2,000	2,000
<b>Total Revenue</b>	<u>12,000</u>	<u>12,000</u>	<u>14,987</u>	<u>2,987</u>
<b>Expenditures</b>				
<i>Conservation and Development:</i>				
465 Economic Development and Assistance	17,000	17,000	11,222	5,778
<b>Total Expenditures</b>	<u>17,000</u>	<u>17,000</u>	<u>11,222</u>	<u>5,778</u>
<b>Other Financing Uses</b>				
391.1 Transfers Out	-	-	(338)	(338)
<b>Net Change in Fund Balance</b>	<u>(5,000)</u>	<u>(5,000)</u>	<u>3,427</u>	<u>8,427</u>
<b>Fund Balance - December 31, 2005</b>	25,128	25,128	25,128	-
<b>Fund Balance - December 31, 2006</b>	<u>\$ 20,128</u>	<u>\$ 20,128</u>	<u>\$ 28,555</u>	<u>\$ 8,427</u>

The accompanying notes to required supplementary information are an integral part of this statement.



**CITY OF WHITEWOOD**

**BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Basis - Actual</u>	<u>Variance</u>
<b>Revenue</b>				
<i>Miscellaneous Revenue:</i>				
361 Earnings on Deposits and Investments	\$ -	\$ -	\$ 11,253	\$ 11,253
<b>Total Revenue</b>	-	-	11,253	11,253
<b>Expenditures</b>				
<i>Conservation and Development:</i>				
465 Economic Development and Assistance	-	-	-	-
<b>Total Expenditures</b>	-	-	-	-
<b>Other Financing Uses</b>				
391.1 Transfers Out	-	-	(1,116)	(1,116)
<b>Net Change in Fund Balance</b>	-	-	10,137	10,137
<b>Fund Balance - December 31, 2005</b>	197,146	197,146	197,146	-
<b>Fund Balance - December 31, 2006</b>	<b>\$ 197,146</b>	<b>\$ 197,146</b>	<b>\$ 207,283</b>	<b>\$ 10,137</b>

The accompanying notes to required supplementary information are an integral part of this statement.

## CITY OF WHITEWOOD

**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Basis - Actual</u>	<u>Variance</u>
<b>Revenue</b>				
<i>Taxes:</i>				
311 General Property Taxes	\$ 122,433	\$ 122,433	\$ 103,310	\$ (19,123)
313 General Sales and Use Taxes	85,000	85,000	175,526	90,526
315 Amusement Taxes	200	200	156	(44)
319 Penalties and Interest on Delinquent Taxes	-	-	268	268
320 Licenses and Permits	700	700	1,550	850
<i>Intergovernmental Revenue:</i>				
331 Federal Grants	13,456	13,456	10,584	(2,872)
334 State Grants	-	-	5,000	5,000
<i>State Shared Revenue:</i>				
335.01 Bank Franchise Tax	400	400	585	185
335.03 Liquor Tax Reversion	4,500	4,500	4,371	(129)
335.04 Motor Vehicle Licenses (5%)	6,000	6,000	5,057	(943)
335.1 Local Government Highway and Bridge Fund	8,000	8,000	6,584	(1,416)
335.20 Other	-	-	11,602	11,602
<i>County Shared Revenue:</i>				
338.02 County HBR Tax	1,000	1,000	813	(187)
<i>Charges for Goods and Services:</i>				
344 Sanitation	21,000	21,000	21,251	251
345 Health	200	200	188	(12)
346 Culture and Recreation	3,700	3,700	3,731	31
349 Other	1,000	1,000	83	(917)
<i>Fines and Forfeits:</i>				
351 Court Fines and Costs	150	150	325	175
359 Other	150	150	140	(10)
<i>Miscellaneous Revenue:</i>				
361 Earnings on Deposits and Investments	6,000	6,000	3,067	(2,933)
368 Liquor Operating Agreement Income	47,600	47,600	62,346	14,746
369 Miscellaneous Revenue	-	-	592	592
<b>Total Revenue</b>	<b>321,489</b>	<b>321,489</b>	<b>417,129</b>	<b>95,640</b>

CITY OF WHITEWOOD

BUDGETARY COMPARISON SCHEDULE (CONTINUED)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Basis - Actual</u>	<u>Variance</u>
<b>Expenditures</b>				
<i>General Government:</i>				
411 Legislative	\$ 24,664	\$ 24,664	25,750	(1,086)
411.5 Contingency	30,000	30,000	-	30,000
Amount Transferred	-	(29,968)	-	(29,968)
412 Executive	3,380	3,380	3,251	129
413 Elections	625	625	470	155
414 Financial Administration	51,240	51,240	46,593	4,647
419 Other	21,150	21,150	20,940	210
<i>Public Safety:</i>				
421 Police	113,755	113,755	111,184	2,571
422 Fire	5,000	5,000	1,060	3,940
423 Protective Inspection	3,000	3,000	2,113	887
<i>Public Works:</i>				
431 Highways and Streets	56,420	56,420	48,018	8,402
432 Sanitation	21,000	21,000	21,167	(167)
<i>Culture and Recreation:</i>				
452 Parks	30,855	30,855	27,654	3,201
<i>Conservation and Development:</i>				
465 Economic Development and Assistance	300	300	300	-
470 Debt Service	-	24,328	24,328	-
499 Liquor Operating Agreements	35,100	35,100	36,634	(1,534)
<b>Total Expenditures</b>	<b>396,489</b>	<b>390,849</b>	<b>369,462</b>	<b>21,387</b>
<b>Excess of Revenue Over (Under)</b>				
<b>Expenditures</b>	<b>(75,000)</b>	<b>(69,360)</b>	<b>47,667</b>	<b>117,027</b>
<b>Other Financing Sources:</b>				
591.1 Transfer In	-	-	4,056	4,056
391.3 Proceeds from Sale of Capital Assets	-	-	14,202	14,202
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>18,258</b>	<b>18,258</b>
<b>Net Change in Fund Balance</b>	<b>(75,000)</b>	<b>(69,360)</b>	<b>65,925</b>	<b>135,285</b>
<b>Fund Balance - December 31, 2004</b>	<b>135,174</b>	<b>135,174</b>	<b>135,174</b>	<b>-</b>
<b>Fund Balance - December 31, 2005</b>	<b>\$ 60,174</b>	<b>\$ 65,814</b>	<b>\$ 201,099</b>	<b>\$ 135,285</b>

The accompanying notes to required supplementary information are an integral part of this statement.

**CITY OF WHITEWOOD**

**BUDGETARY COMPARISON SCHEDULE  
LIBRARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Budgetary Basis - Actual</u></b>	<b><u>Variance</u></b>
<b>Revenue</b>				
<i>Taxes:</i>				
313 General Property Taxes	\$ 46,894	\$ 46,894	\$ 46,894	\$ -
<i>Charges for Goods and Services</i>				
346 Culture and Recreation	-	-	35	35
<i>Miscellaneous Revenue:</i>				
361 Earnings on Deposits and Investments	-	-	756	756
<b>Total Revenue</b>	<b>46,894</b>	<b>46,894</b>	<b>47,685</b>	<b>791</b>
<b>Expenditures</b>				
<i>Culture and Recreation:</i>				
455 Library	46,894	51,894	50,656	1,238
<b>Total Expenditures</b>	<b>46,894</b>	<b>51,894</b>	<b>50,656</b>	<b>1,238</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>(5,000)</b>	<b>(2,971)</b>	<b>2,029</b>
<b>Fund Balance - December 31, 2004</b>	<b>28,564</b>	<b>28,564</b>	<b>28,564</b>	<b>-</b>
<b>Fund Balance - December 31, 2005</b>	<b>\$ 28,564</b>	<b>\$ 23,564</b>	<b>\$ 25,593</b>	<b>\$ 2,029</b>

The accompanying notes to required supplementary information are an integral part of this statement.

CITY OF WHITEWOOD

BUDGETARY COMPARISON SCHEDULE  
ADDITIONAL SALES TAX FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Basis - Actual</u>	<u>Variance</u>
<b>Revenue</b>				
<i>Taxes:</i>				
313    General Sales and Use Taxes	\$ 12,000	\$ 12,000	\$ 11,613	\$ (387)
<i>Miscellaneous Revenue:</i>				
361    Earnings on Deposits and Investments	-	-	339	339
<b>Total Revenue</b>	<u>12,000</u>	<u>12,000</u>	<u>11,952</u>	<u>(48)</u>
<b>Expenditures</b>				
<i>Conservation and Development:</i>				
465    Economic Development and Assistance	12,000	12,000	176	11,824
<b>Total Expenditures</b>	<u>12,000</u>	<u>12,000</u>	<u>176</u>	<u>11,824</u>
<b>Other Financing Uses</b>				
391.1    Transfers Out	-	-	(163)	(163)
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>-</u>	<u>11,613</u>	<u>11,613</u>
<b>Fund Balance - December 31, 2004</b>	<u>13,515</u>	<u>13,515</u>	<u>13,515</u>	<u>-</u>
<b>Fund Balance - December 31, 2005</b>	<u>\$ 13,515</u>	<u>\$ 13,515</u>	<u>\$ 25,128</u>	<u>\$ 11,613</u>

The accompanying notes to required supplementary information are an integral part of this statement.

**CITY OF WHITEWOOD**

**BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budgetary Basis - Actual</u>	<u>Variance</u>
<b>Revenue</b>				
<i>Charges for Goods and Services:</i>				
349 Other	\$ -	\$ -	\$ 360	\$ 360
<i>Miscellaneous Revenue:</i>				
361 Earnings on Deposits and Investments	-	-	4,192	4,192
<b>Total Revenue</b>	-	-	4,552	4,552
<b>Expenditures</b>				
<i>Conservation and Development:</i>				
465 Economic Development and Assistance	-	-	466	(466)
<b>Total Expenditures</b>	-	-	466	(466)
<b>Other Financing Uses</b>				
391.1 Transfers Out	-	-	(81)	(81)
<b>Net Change in Fund Balance</b>	-	-	4,005	4,005
<b>Fund Balance - December 31, 2004</b>	193,141	193,141	193,141	-
<b>Fund Balance - December 31, 2005</b>	<b>\$ 193,141</b>	<b>\$ 193,141</b>	<b>\$ 197,146</b>	<b>\$ 4,005</b>

The accompanying notes to required supplementary information are an integral part of this statement.

## **CITY OF WHITEWOOD**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2006 AND 2005**

#### **(1) Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the governing board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the governing board, the operating budget is legally binding and actual disbursements for each purpose cannot exceed the amounts budgeted, except as indicated in item number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed five percent of the total municipal budget and may be transferred by resolution of the governing board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year-end unless encumbered by resolution of the governing board.
6. The City did not encumber any amounts at December 31, 2005 and 2006.
7. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, projects funds, and debt service funds.
8. Budgets for the general fund, special revenue funds, capital projects funds, and debt service funds are adopted on a basis consistent with the modified-cash basis of accounting, except for the following:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances; however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

## COMPLIANCE AUDIT SECTION





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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Council  
City of Whitewood  
Whitewood, South Dakota

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the **CITY OF WHITEWOOD** (the City) as of and for the years ended December 31, 2006 and 2005, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying Schedule of Findings as 2006-1 through 2006-7 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2006-5, 2006-6, and 2006-7 to be material weaknesses.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, City Council, and the Department of Legislative Audit and is not intended to be, and should not be, used by anyone other than those specified parties. However, as required by South Dakota Codified Law 4-11-11 this report is a matter of public record and its distribution should not be limited.

A handwritten signature in black ink that reads "Ketel Thorstenson, LLP". The signature is stylized with a large, flowing 'K' and 'T'.

KETEL THORSTENSON, LLP  
Certified Public Accountants

January 11, 2008

## **CITY OF WHITEWOOD**

### **AUDITOR'S COMMENTS AND CLOSING CONFERENCE DECEMBER 31, 2006 AND 2005**

#### **A. Status of Prior Audit Findings and Recommendations**

The prior audit finding regarding segregation of duties for revenue processes is restated below as part of finding 2006-05.

#### **B. Current Year Audit Findings and Recommendations**

##### *Findings Not Considered Material Weaknesses:*

##### **Finding No. 2006-1: Water Deposit Subsidiary Listing**

*Finding:* The listing for the water and sewer deposits did not reconcile to the general ledger, as the listing kept a continuous total, rather than a total by year. Additionally, the 2006 customer deposit subsidiary was only updated through October 2006.

*Recommendation:* We recommend updating and reconciling the water and sewer deposit subsidiary listing to the general ledger on a monthly basis, as well as reformatting the listing to provide yearly totals.

##### **Finding No. 2006-2: Library revenue**

*Finding:* The library does not keep a detailed record of the late fee revenue and fine revenue collected.

*Recommendation:* We recommend that the Library keep a subsidiary listing of all late fee and fine revenue, in order to determine the reasonableness of this revenue on a monthly basis.

##### **Finding No. 2006-3: Bulk Water**

*Findings:* The water used from the bulk water meter was not being reconciled to the bulk water revenue being deposited at the bank.

*Recommendation:* We recommend that the water used per the bulk water meter be reconciled to the bulk water revenue being deposited at the bank on a monthly basis.

##### **Finding 2006-04: Payroll Timesheets**

*Finding:* During our payroll testing of ten employees, nine employees did not have their timesheets signed by a department head before being turned into the finance office for payment.

*Recommendation:* We recommend that department heads approve all timesheets before they are turned in for payment, in order to ensure that employees are paid accurately for their time.

##### *Findings Considered to be Material Weaknesses:*

##### **Finding No. 2006-5: Segregation of Duties**

*Finding:* There was a lack of segregation of duties over the cash receipts and cash disbursements processes. This comment is not unusual in an organization of this size.

*Recommendation:* Internal controls should be in place to provide reasonable assurance that all financial transactions are reviewed and approved before payments are made and reports are generated. Controls should also be in place to ensure that all revenue is processed and recorded correctly. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

## **CITY OF WHITEWOOD**

### **AUDITOR'S COMMENTS AND CLOSING CONFERENCE (CONTINUED) DECEMBER 31, 2006 AND 2005**

#### **B. Current Year Audit Findings and Recommendations (Continued)**

##### *Findings Considered to be Material Weaknesses (Continued):*

##### **Finding No. 2006-6: Financial Statement Preparation**

*Finding:* We were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112, became effective. This statement requires auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the City's statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint, we do both for the City at the same time in connection with our audit. This is not unusual for us to do this with organizations of the City's size. However, based on this new auditing standard, it is our responsibility to inform the City Council that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by the City's management. We have instructed management to review a draft of the auditor prepared financials in detail for their accuracy, we have answered any questions they might have, and we have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in the City's statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

*Recommendation:* It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

##### **Finding 2006-07: Internal Control Over Significant Accounts**

*Finding:* As noted above, a new auditing standard, SAS 112, became effective during 2006. This standard requires auditors to communicate this situation to the City Council as an internal control deficiency. During the course of our engagement, we proposed material audit adjustments that resulted in a \$155,867 increase and a \$2,646 decrease in reported net income in 2006 and 2005, respectively. Adjustments included adjusting capital contributions, capital assets, long-term debt, interest expense, restricted cash, deferred property taxes and special assessments, and restricted net assets. In addition entries totaling \$22,270 and \$7,283 at December 31, 2006 and 2005, respectively, were proposed as a part of the audit, but were not recorded due to the overall insignificance on the financial statements. These adjustments would not have been identified as a result of the City's existing internal controls, and therefore, could have resulted in a material misstatement of the City's financial statements.

*Recommendation:* We recommend that the City's operations be continually reviewed for potential changes in the accounting processes so that the appropriate entries can be made throughout the year.